

Message Text

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ACTION ARA-10

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TAGS: EFIN, BEXP, AR

SUBJECT: ARGENTINE CENTRAL BANK CIRCULAR RC 524, DATED APRIL

15, 1974.

REF: A) BEAL/BIRMAN TELCON OF MAY 28, 1975; B) BA 2713;

C) BA A -327, JULY 14, 1974.

1. FOLLOWING TELCON UNDER REFERENCE WITH BANK OFFICER HENRY BIERMAN, EMBASSY HAE ENGAGED IN CONSULTATIONS WITH GOA OFFICIALS AND EMBASSIES OF SOME OF WESTERN DC'S IN BUENOS AIRES ON THE SUBJECT OF ARGENTINA'S CENTRAL BANK CIRCULAR RC 524. (THIS CIRCULAR REQUIRES ARGENTINE IMPORTERS TO OBTAIN CERTAIN MINIMUM FINANCING TERMS FOR CAPITAL GOOD IMPORTS WHICH IN SOME INSTANCES ARE ABOVE AND BEYOND THE TERMS EXTENDED IN INTERNATIONAL COMMERCE TODAY.)

2. CONSULTATION WITH THE COMMERCIAL ATTACHES OF THE EMBASSIES OF GERMANY, FRANCE, ITALY, ENGLAND, JAPAN, AUSTRALIA, CANADA, AUSTRIA, AND SOTH AFRICA INDICATE THAT THE EXPORT FINANCING AND INSURING AGENCIES OF THEIR GOVERNMENTS ARE ALSO CONCERNED ABOUT THIS NEW REQUIREMENT AND ARE RELUCTANT TO GIVE GUARANTEES OR INSURANCE ON THESE TERMS.

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THEY ARE MOST CONCERNED WITH THE GRACE PERIODS REQUIRED

BY CENTRAL BANK'S CIRCULAR RC 524 AND BY ITS CUMULATIVE CLAUSE. SEVERAL EMBASSIES INDICATED THEY WERE AWAITING THE OUTCOME OF THE BERNE UNION MEETING TO OBTAIN A READING FROM THEIR GOVERNMENTS ON THIS ISSUE.

3. IN A RECENT CONVERSATION WITH ONE OF THE VICE-PRESIDENTS OF THE ARGENTINE CENTRAL BANK, EMBOFFS WERE TOLD THAT THE CENTRAL BANK WAS FULLY AWARE THAT THE CIRCULAR WOULD CREATE PROBLEMS IN OBTAINING IMPORT FINANCING. THE CENTRAL BANK OFFICIAL INDICATED THAT THIS WAS NOT OF GREAT CONCERN AT THE MOMENT, AND, IN FACT, WAS A POSITIVE DEVELOPMENT FROM THE BANK'S POINT OF VIEW, INASMUCH AS THEIR PRIMARY CONCERN AT THE MOMENT WAS TO MAINTAIN IMPORTS AT LEVELS CONSISTENT WITH FOREIGN EXCHANGE AVAILABILITIES. EMBOFFS GAINED THE IMPRESSION THAT THE CENTRAL BANK DID NOT INTEND TO MODIFY THIS REGULATION IN THE NEAR FUTURE.

4. IT IS IMPORTANT TO NOTE, HOWEVER, THAT COMMUNIST BLOC COUNTRIES TRADING WITH ARGENTINA HAVE INDICATED THEIR ACCEPTANCE OF THESE TERMS; (IN ANY CASE MOST OF THE EXISTING BILATERAL TRADE AGREEMENTS WITH BLOC COUNTRIES HAVE SPECIFIED MORE GENEROUS FINANCING TERMS THAN THOSE PRESCRIBED BY CIRCULAR RC 524.) TERMS AND RATES OFFERED HERE BY COMMUNIST COUNTRIES ARE ALREADY SO GENEROUS THAT WESTERN SUPPLIERS ARE GENERALLY FINDING IT VERY DIFFICULT TO COMPETE. SHOULD MEMBER COUNTRIES OF THE BERNE UNION AGREE NOT TO MEET THE TERMS OF CIRCULAR RC 524, THEY WILL BE IN EFFECT, TURNING OVER LARGE PORTIONS OF THEIR IMPORT SHARES IN SECTORS AS DIVERSE AS MACHINE TOOLS, POWER GENERATION EQUIPMENT, AND PETROLEUM EXTRACTION EQUIPMENT TO THE EASTERN EUROPEANS. WE BELIEVE THIS IS AN IMPORTANT CONSIDERATION IN ANY DECISIONS WHICH MIGHT BE TAKEN IN THIS REGARD.

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